

IC MEMORANDUM 10-08

TO: KEHP Insurance Coordinators
FROM: Department of Employee Insurance (DEI)
RE: Extension of COBRA Premium Subsidy Program
DATE: March 8, 2010



Commonwealth of Kentucky
Personnel Cabinet
Department of Employee Insurance
2nd Floor, State Office Building
501 High Street
Frankfort, Kentucky 40601

Web Site: <http://kehpn.ky.gov>

Congress has extended for a second time the COBRA subsidy eligibility period under The American Recovery and Reinvestment Act of 2009 (ARRA), this time making the subsidy available to an additional group of qualified individuals.

Enacted March 2, the Temporary Extension Act (TEA) extends ARRA to March 31, 2010, from February 28, 2010. **It also makes the 65 percent premium reduction available to eligible individuals who experience a reduction in hours followed by an involuntary termination.**

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Currently under COBRA there is no "second qualifying event" for employees that follow a reduction in hours of employment because coverage was already lost as a result of the first event.

If an individual is involuntarily terminated from employment between March 2, 2010, and March 31, 2010, the employer will now have to identify whether their hours were reduced as far back as September 2008 and they were offered COBRA at that time. The employer then needs to communicate that they may now have a new right to receive subsidized coverage.

If the individual did not elect coverage as a result of the reduction in hours of employment, they would be entitled to elect COBRA as of the involuntary termination of employment date, if they are eligible for the subsidy; any gap in coverage would be disregarded for the purposes of the pre-existing condition limitation. Payments for the 'gap' period would not be required.

However, for a reduction of hours followed by an involuntary termination of employment (within the appropriate dates), the subsidy would start for a period of coverage beginning after the March 2 enactment date. Since most periods of coverage start on the first of the month, April 1 through April 30, 2010, would be the first period of coverage after the date of enactment for most individuals.

The latest extension is just a 31-day stop gap measure. The Senate is currently considering HR 4213, the "American Workers, State, and Business Relief Act," that would include extending the premium subsidy to employees laid off through December 31, 2010.

Ceridian will continue to handle all notices, elections and collections of premiums. Additionally, Ceridian will continue to reach out to Insurance Coordinators to determine whether KEHP members have been involuntarily terminated. **Ceridian has requested that Insurance Coordinators respond to such requests within three business days.** If a response is not received from the agency, Ceridian will send a denial letter to the member. Please note the importance of responding to Ceridian's request in a timely manner.

As always, please feel free to contact Sherry Davis or Margaret Hensley in DEI's Member Services Branch at 888-581-8834 with any questions about the COBRA subsidy.

